

**REPORT OF THE AUDIT OF THE
CLINTON COUNTY
SHERIFF**

**For The Year Ended
December 31, 2007**



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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CLINTON COUNTY SHERIFF

**For The Year Ended
December 31, 2007**

The Auditor of Public Accounts has completed the Clinton County Sheriff's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$20,583 from the prior year, resulting in excess fees of \$22,698 as of December 31, 2007. Revenues increased by \$12,757 from the prior year and expenditures increased by \$33,340.

Report Comments:

- 2007-01 The Sheriff Should Submit An Annual Settlement To The Fiscal Court
- 2007-02 The Sheriff Should Remit Excess Fees By September 1st Of Each Year
- 2007-03 The Sheriff Should Require Employees To Submit Timesheets
- 2007-04 The Sheriff Should Deposit Receipts Intact On A Daily Basis
- 2007-05 The Sheriff Should Properly Maintain And Monitor The Drug Abuse Resistance Education (DARE) Account
- 2007-06 The Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Lyle Huff, Clinton County Judge/Executive
The Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Clinton County, Kentucky, for the year ended December 31, 2007. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2008 on our consideration of the Clinton County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Lyle Huff, Clinton County Judge/Executive
The Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2007-01 The Sheriff Should Submit An Annual Settlement To The Fiscal Court
- 2007-02 The Sheriff Should Remit Excess Fees By September 1st Of Each Year
- 2007-03 The Sheriff Should Require Employees To Submit Timesheets
- 2007-04 The Sheriff Should Deposit Receipts Intact On A Daily Basis
- 2007-05 The Sheriff Should Properly Maintain And Monitor The Drug Abuse Resistance Education (DARE) Account
- 2007-06 The Sheriff's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Clinton County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

November 3, 2008

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

State - Kentucky Law Enforcement Foundation Program Fund		\$	13,798
State Fees For Services:			
Fee Claims	\$	8,888	
House Bill 452		8,335	
Prisoner Transport		<u>689</u>	17,912
Circuit Court Clerk:			
Fines and Fees Collected			3,255
Fiscal Court:			
Sheriff Salary		66,038	
Training Incentive		2,540	
Operating Expenses		<u>6,888</u>	75,466
County Clerk - Delinquent Taxes			1,447
Commission On Taxes Collected			103,692
Other Fees On Taxes Collected:			
10% Add-On Fee		19,046	
Advertising Fees		<u>2,480</u>	21,526
Fees Collected For Services:			
Auto Inspections		3,505	
Accident and Police Reports		105	
Serving Papers		24,303	
Carrying Concealed Deadly Weapon Permits		<u>3,450</u>	31,363
Other:			
Transporting Prisoners		3,423	
Corps of Engineers		5,879	
Miscellaneous		<u>16</u>	<u>9,318</u>
Total Revenues			277,777

The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY
 RICKY RIDDLE, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2007
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-		
Deputies' Salaries	\$ 68,745	
Part-Time Salaries	11,100	
Other Salaries	<u>31,333</u>	\$ 111,178
Employee Benefits-		
Employer's Share Social Security	8,097	
Employer's Share Retirement	<u>14,696</u>	22,793
Contracted Services-		
Printing & Binding		3,100
Materials and Supplies-		
Office Materials and Supplies	5,838	
Uniforms	<u>2,720</u>	8,558
Auto Expense-		
Gasoline	20,347	
Maintenance and Repairs	<u>5,277</u>	25,624
Other Charges-		
Conventions and Travel	1,020	
Dues	640	
Postage	95	
Bond	10,951	
Carrying Concealed Deadly Weapon Permits	2,275	
Miscellaneous	<u>267</u>	<u>15,248</u>
Total Expenditures		<u>\$ 186,501</u>
Net Revenues		91,276
Less: Statutory Maximum		<u>66,038</u>
Excess Fees		25,238
Less: Training Incentive Benefit		<u>2,540</u>
Balance Due Fiscal Court at Completion of Audit		<u>\$ 22,698</u>

The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2007

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2007
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Clinton County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Clinton County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2007
(Continued)

Note 4. Drug Eradication Account

The Sheriff's office maintains a Drug Eradication Account. Receipts of this account are from court ordered payments related to drug cases. These funds are reserved for law enforcement activities involving drug eradication and are not included in excess fees. The balance as of January 1, 2007 was \$475, receipts and expenditures were \$5,975 and \$5,527, respectively, and the December 31, 2007 balance was \$923.

Note 5. Drug Abuse Resistance Education Account

The Sheriff's office maintains a Drug Abuse Resistance Education (DARE) account. Funds received in this account are to be spent on drug abuse resistance education and are not included in excess fees. The balance as of January 1, 2007 was \$1,130, receipts and expenditures were \$8,274 and \$5,905, respectively, and the December 31, 2007 balance was \$3,499.

Note 6. Court Ordered Restitution

The Kentucky State Police conducted an investigation resulting in the prosecution of the former office manager of the Clinton County Sheriff's office, for four counts of theft by unlawful taking or disposition over \$300 in the amount of \$14,006 for the 2003 fee account, \$19,593 for the January 1, 2004 through September 30, 2004 fee account, \$3,700 for 2003 tax collections, and \$7,800 for 2002 tax collections. On February 22, 2005, the former employee pled guilty to these charges. The court ordered restitution of \$45,159 to be paid through the Circuit Court Clerk with an initial payment of \$10,000 and monthly payments of \$200 with the entire balance to be paid in full within five years. As of September 18, 2008, the Clinton County Circuit Court Clerk had collected all \$45,159 from the former employee on the court ordered restitution and had paid this money over to the Clinton County Sheriff.

Note 7. Subsequent Events

The Sheriff transferred \$30,000 from the 2007 fee account into the 2008 fee account to cover operating expenses. As of November 3, 2008, \$26,700 was still due to the 2007 fee account, but the Sheriff's 2008 fee account did not have sufficient funds to cover the debt. The Sheriff is anticipating incoming tax commissions to cover this debt to the 2007 account.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Lyle Huff, Clinton County Judge/Executive
The Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Clinton County Sheriff for the year ended December 31, 2007, and have issued our report thereon dated November 3, 2008. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clinton County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies 2007-05 and 2007-06, included in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Clinton County Sheriff's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are included in the accompanying comments and recommendations as items 2007-01, 2007-02, 2007-03, and 2007-04.

The Clinton County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Clinton County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

November 3, 2008

COMMENTS AND RECOMMENDATIONS

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2007

STATE LAWS AND REGULATIONS:

2007-01 The Sheriff Should Submit An Annual Settlement To Fiscal Court

The Sheriff did not present an annual settlement to fiscal court for 2007. KRS 134.310(5) requires the Sheriff to present annually to fiscal court “a complete statement of all funds received by his office for official services” and “a complete statement of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses.” We recommend the Sheriff present an annual settlement to fiscal court as required.

Sheriff's Response: Will do.

2007-02 The Sheriff Should Remit Excess Fees By September 1st Of Each Year

The Sheriff did not pay \$22,698 in excess fees due fiscal court for 2007. The Sheriff transferred 2007 fee account funds to the 2008 fee account in order to meet payroll. KRS 134.310(6) requires the sheriff to pay excess fees to the fiscal court by September 1st each year. We recommend the Sheriff remit excess fees by September 1st and request fiscal court assistance if funds are needed to meet payroll. We further recommend the Sheriff pay excess fees of \$22,698 due fiscal court for 2007.

Sheriff's Response: Will pay.

2007-03 The Sheriff Should Require Employees To Submit Timesheets

The Sheriff's employees did not submit timesheets during 2007. KRS 337.320(1)(b) requires employers to keep “a record of the hours worked each day and each week by each employee.” The employee and Sheriff should sign timesheets to support payments for hours worked. We recommend the Sheriff require his employees to submit timesheets as required.

Sheriff's Response: Will do.

2007-04 The Sheriff Should Deposit Receipts Intact On A Daily Basis

The Sheriff did not deposit office receipts on a daily basis. Our review of the Sheriff's 2007 official account revealed that some deposits took in excess of 30 days to clear the bank. The Sheriff's failure to deposit receipts in a timely manner places public funds at risk for loss or theft. The Department for Local Government has established minimum accounting requirements, which include “daily deposits intact into a federally insured banking institution.” We recommend the Sheriff deposit receipts intact on a daily basis as required.

Sheriff's Response: Will do better.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2007
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

2007-05 The Sheriff Should Properly Maintain And Monitor The Drug Abuse Resistance Education (DARE) Account

The Clinton County Sheriff maintains a Drug Abuse Resistance Education (DARE) account. All accounting duties of the DARE account were delegated to one deputy. The Sheriff did not monitor the account. Our review of the DARE account revealed the following conditions:

- a) Receipts and disbursements ledgers were not maintained. Deposit slips were not detailed and a check register was not maintained.
- b) Expenditures of \$356 were for personal use. Auditors could not confirm reimbursement of the DARE account for these expenditures.
- c) Expenditures of \$1,848 were for operating expenses of the Sheriff's office. The DARE account was reimbursed \$1,086 from the fee account.

We recommend the Sheriff monitor the DARE account and require the maintenance of adequate financial records. We also recommend the Sheriff reimburse the DARE account \$762 from his official account and \$356 from personal funds.

Sheriff's Response: Will do.

2007-06 The Sheriff's Office Lacks Adequate Segregation Of Duties

A lack of adequate segregation of duties exists over accounting functions in the Sheriff's office. One employee is responsible for receiving and recording receipts, preparing bank deposits, purchasing, check preparation, posting transactions to ledgers, monthly bank reconciliations, and preparing monthly reports.

Segregation of duties over the accounting functions described above is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Adequate segregation of duties also protects employees in the normal course of performing their daily responsibilities.

To provide protection against misappropriation of assets and/or inaccurate financial reporting, the Sheriff should segregate duties involved in receiving and recording receipts, preparing bank deposits, purchasing, check preparation, posting transactions to ledgers, monthly bank reconciliations, and preparation of monthly reports. If these duties cannot be segregated, strong oversight over those areas should be provided to the employee or employees responsible for these duties. The Sheriff's oversight should be documented on the appropriate source documents.

Sheriff's Response: Will do better.

